

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 L-03 CAB-09 CIAE-00 COME-00

DODE-00 INR-10 NSAE-00 RSC-01 FAA-00 PA-04 PRS-01

USIA-15 SS-20 NSC-10 DRC-01 /111 W

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R 282258Z DEC 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2392

INFO AMCONSUL MONTREAL

LIMITED OFFICIAL USE OTTAWA 3110

E.O. 11652: N/A

TAGS: ETRN, CA

SUBJECT: CIVAIR: AIRPORT CHARGE NOT LIKELY TO TAKE EFFECT
BEFORE MARCH 1.

REF : OTTAWA A-646, *ECEMBER 5, 1973

1. SENIOR MOT AVIATION FINANCE OFFICIAL ADVISED TCO ON
DECEMBER 28 THAT THE \$2.80 AIRPORT FEE NOT LIKELY TO BE
BROUGHT INTO EFFECT BEFORE MARCH 1. MOT WILL HOLD PRELIMINARY
MEETINGS WITH REPRESENTATIVES OF US AIR TRANSPORT ASSOCIATION
AND OF AIR TRANSPORT ASSOCIATION OF CANADA (ATAC) ON JANUARY
4. AND WITH REPRESENTATIVES OF IATA LATE IN JANUARY AT WHICH
DETAILS OF IMPLEMENTATION WILL BE DISCUSSED.

2. TORONTO GLOBE AND MAIL DECEMBER 28 REPORTS PROTESTS BY ATA
AND IATA, IN ADDITION TO PREVIOUS STATEMENTS BY ATAC,
PROTESTING METHOD OF COLLECTION; SPECIFICALLY, THAT CHARGE
IS A LEVY ON AIRLINES WHO MAY PASS IT ON THROUGH THE FARE
STRUCTURE OR PAY IT DIRECTLY. GLOBE AND MAIL QUOTES IATA'S
HAMMARSKJOLD AS STATING IN TELEGRAM TO GOC THAT IMPOSITION
OF TAX BREACHES AN ICAO AGREEMENT THAT USER CHARGES WILL
NOT BE IMPLEMENTED BY GOVERNMENTS WITHOUT PRIOR CONSULTATION
AND ADEQUATE NOTICE. ALSO, HAMMARSKJOLD QUOTED AS STATING
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INCLUSION OF TAX IN FARE STRUCTURE DESTROYS COMMON RATING

OF FARES BETWEEN MONTREAL AND NEW YORK TO MEXICO AND SOUTH AMERICA, A TRADITIONAL OBJECTIVE OF CANADIAN CARRIERS.

3. MOT OFFICIAL CONFIRMED ESSENCE OF PRESS REPORT AND EXPRESSED GRATIFICATION HAMMARSKJOLD DID NOT ATTEMPT FIGHT PRINCIPLE OF USER CHARGE AS ATAC (RPT ATAC) IS DOING IN SOME OF ITS REPRESENTATIONS. HOWEVER, HE NOTED THAT PRECISE LANGUAGE OF ICAO AGREEMENT DOES NOT SUGGEST FOUR TO SIX MONTHS ADVANCE CONSULTATION AS HAMMARSKJOLD IMPLIED IN PORTION OF WIRE NOT GIVEN IN PRESS ARTICLE. THIS IS CONTAINED IN AN ICAO SECRETARIAT PAPER WHICH CANADA DID NOT ACCEPT. IN ANY EVENT, AT LEAST FOUR MONTHS WILL HAVE PASSED IN PRACTICE FROM DATE OF ANNOUNCEMENT BEFORE TAX GOES INTO EFFECT.

4. SOURCE ALSO INDICATED THAT \$2.80 CHARGE IS NOT TECHNICALLY A TAX (AS IT IS GENERALLY DESCRIBED) BUT A FEE LEVIED UNDER AUTHORITY OF MINISTER IN SECTION 5 OF AERONAUTICAL ACT WHICH AUTHORIZES RECOUPMENT OF COSTS INCURRED IN PROVISION OF SERVICES. PROCEEDS WILL RELATE ONLY TO OPERATING DEFICITS OF AIRPORTS (ESPECIALLY TORONTO AND MONTREAL TO WHICH VANCOUVER MAY BE ADDED) SUBJECT TO 1969 REVOLVING FUND ARRANGEMENTS. SUCH DEFICITS ARE PRESENTLY \$80 MILLION AND FEE IS EXPECTED TO RAISE SOME \$30 MILLION AT PRESENT. HE CONFIRMED INTENT IMPOSE IN FUTURE ADDITIONAL USER CHARGES TO RECOVER FURTHER AIRPORT COSTS AS WELL AS THOSE RELATING TO AIRWAYS, BUT PLANS ARE NOT SPECIFIC AT MOMENT.

5. SOURCE FURTHER INDICATED HE COULD NOT COMMENT AT MOMENT ON HOW COLLECTION THIS FEE MIGHT RELATE TO USG INTEREST IN COLLECTION US DEPARTURE TAX IN CANADA. INDICATED MANY DETAILS ON GOC FEE YET REMAIN TO BE WORKED OUT.
JOHNSON

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